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THE BOTTOM LINE

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"The fate of future generations, and the hopes and livelihoods of billions today, rest, literally, with you." – UN Secretary-General Ban Ki-moon

Crisis, What Crisis?

As the one year anniversary of the Lehman Brothers failure quietly passed with nary a peep from anybody, stock markets around the world continued their rapid ascent unfazed by the events of just 12 months ago that put the world on the brink of economic and financial collapse. The seriousness of that moment is not to be understated, however, as governments and central banks the world over have been printing and spending money like they are going to the chair, in order to avert a total failure of the financial system. The world's stock markets seem oblivious to the magnitude of the public bailout (and the inherent cost to our children) as all markets have bounced up from their lows of March 2009 by anywhere from 40% -80%.

The TED spread, a measure of liquidity in the system, which ballooned to over 600 bps not very long ago is, unbelievably, flirting with its own historic lows, set back in mid 2007, of around 20 bps. Commodity prices, including oil, have rebounded and remain relatively firm, headline inflation has plunged to its lowest levels since the post war period, interest rates are low- all indicators that everything is just fine.

But is it? Consumer spending has fallen off a cliff, US real GDP has fallen 4%, unemployment is at its highest level since 1982 and if you include involuntary part time workers (those that are working part time because they cannot find a full time job) unemployment is at its highest level ever and is pushing 19% of the population!

Evidently, everything is not fine, however there is good news.

A few months ago the conversation around the "economic water cooler" was whether or not we would fall into depression, whereas now the conversation is whether or not the modest recovery we have witnessed is sustainable or not. This is a noteworthy shift in thinking! Good news we've seen lately includes:

a) Real estate prices seem to be firming and in some parts of Canada are actually increasing again,

b) Copper "the Nobel prize winning leading indicator" has again nudged up to $3.00/ lb,

c) Car sales, spurred on by the "Cash for Clunkers" program in the US jumped dramatically in July and August and reached near record numbers in those months (although they dropped precipitously in Sept, when the program ended)

d) Forward P/E ratios, a proxy for stock market value, still look reasonable notwithstanding the recent run up we have experienced.

So, all in it looks like tie between good news and bad news. Which will prevail? Well if "good news" has Roberto Luongo in net we are big trouble, however we are of the mind that this rather shaky recovery should continue (as we hope Luongo recovers from his rather shaky start!), through the next year at least. This does not mean that everything is going to go up in a straight line, but the general trend continues to look positive.

Looking down from the top it would appear that most investors bounced back very nicely in the past 10-12 weeks and for those of you that feel that your asset allocation was too aggressive coming into this market downturn you may wish to look capitalize some of your recent gains and reinvest into more conservative assets to realign your overall asset allocation.

From out of the woodwork...

Bernie Madoff, Earl Jones, Shawn Merriman, Frank Bluestein, R. Allen Stanford and Nathan Vanderklippe. What do all these men have in common?

All of them have been charged with running multi-million dollar Ponzi schemes. Ponzi schemes are the easiest of frauds to commit and no amount of regulation or compliance supervision is ever going to stop them. And the reason why?

Because the perpetrators of such crimes act outside the purview of the regulators.

Having one regulator for every person who gives advice to people about their money (every person means every person; TV commentators, newspaper columnists, investment letter authors, your uncle Bob, your general insurance agent and your mortgage broker) may help, but currently there are just too many regulatory bodies to stop the frauds from occurring, its too easy for them to play the blame game.

So what can be done? Well, on a long term basis, the simplest thing to do would be to make it mandatory that students in, say, grade 10 must take a "know your money" course that explains how money moves, an overview of stocks, bonds, mutual funds GIC's, mortgages, fees, market value adjustments, the relationship between risk and reward, expected rates of returns, speculating, investing, RRSPs, pension plans, chequing accounts, interest rates, capital gains, capital markets- all that stuff, so that when they meet up with a crook they can ask intelligent questions that help identify the scam before they give him all their money.

Sadly, that is not going to happen (although it still amazes to this day that we don't teach our children the one thing they will actually use as an adult) so in the meantime the one thing that can be done to help prevent being scammed, is to keep in mind **never, never** and I repeat, **never,** write a cheque in the name of the advisor or his personal corporation for the purposes of investing money.

If you ever get asked to "just make that cheque payable to my company; Joe Blow Investment Enterprises", then simply run away and yell, loudly, to the authorities!

Other tips that *may* help, from the Financial Planning Standards Council follow:

In your search for help, you need to be able to recognize who you can trust. Implicitly.

BOX SCORES

GIC Interest Rates**2009 (%)

	July	Aug	Sept
1YR	1.25	1.30	1.30
3YR	2.70	2.50	2.50
5YR	3.50	3.25	3.30

Annualized Rates of Return to June 30, 2009 (%) ***

All Cdn $	1YR	3YR	5YR
TSX	0.5	1.9	8.3
S&P 500	-5.8	-6.7	-2.3
TSX DEX	10.3	5.5	5.9
*EAFE	4.8	-4.4	3.1

*Europe, Australia & Far East Index

**source: GICInvest.net.

***Morningstar

Choosing a Planner

This isn't always easy considering the confusing mix of acronyms and designations for a variety of financial advisors who may, or may not, be qualified or committed to give you comprehensive and unbiased planning advice. To help you in your decision, we offer you the following tips to prepare you and help you in your search for the right planner.

1. Know what you want: Determine your general financial goals and specific needs (insurance policy, estate planning, investments, education, etc.).

2. Be prepared: Read the newspapers and finance publications to maximize your familiarity with financial planning strategies and terminology.

3. Talk to others: Get referrals from advisors you trust, from colleagues and friends.

4. Look for competence: Many degrees and designations are held by individuals working in the financial planning and investment services. Choose a professional. Choose a Certified Financial Planner (CFP) professional who has met high standards of financial planning professionalism and abides by a Code of Ethics.

5. Interview more than one planner: Ask them to outline their education, experience and specialties, the size and duration of their practices, how often they communicate with clients, and whether assistants handle client matters. Make sure you feel comfortable discussing your finances with the individual you select.

Choosing a Planner **(continued)**

6. Check the planner's background: Depending on their background, call their professional associations to check on their complaint record and call FPSC to see if they are a CFP professional in good standing.

7. Ask for references: Find out if the financial planner works with any other professionals such as accountants, insurance agents or legal advisors. Request references from these individuals.

8. Know what to expect: Ask for a registration or disclosure document detailing method of compensation, conflicts of interest, business affiliations and personal qualifications.

9. Get it in writing: Request a written advisory contract or engagement letter to document the nature and scope of services the planner will provide. You should also understand how the planner will be compensated.

10. Re-assess the relationship regularly: Financial planning relationships are quite often long-term. Review your relationship on a regular basis, making sure your planner understands your needs as they change and develop over time.'

Your planner should be someone who's qualified and experienced in providing the sort of services you are looking for. They should be someone you feel personally comfortable in dealing with and whom you feel is trustworthy and credible - consider this person as a long-term business partner.' (Source: FPSCcanada.org)

Note that the four of us here are all CFP's, in good standing.

If you like our service, please let others know.

The greatest measure of our success is the referrals we receive from our clients.